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SUBJECT: SEPTEMBER 2009 FRAUD SUMMARY - MOSCOW

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1. (U) SUMMARY: This report covers the timeframe of March 1, 2009 to 31 August 2009. Consular officers referred 389 cases of suspected fraud to the Fraud Prevention Unit (FPU) at Embassy Moscow. Fraud was confirmed in approximately 12 percent of the referred cases, mostly for fraudulent employment or financial documents. FPU assisted the American Citizen Services (ASC) Unit on welfare and whereabouts cases, a passport fraud case and a suspect application for a Certificate of Birth Abroad. In addition, the ACS Unit noted they encountered two additional Certificate of Birth Abroad applications that were not referred to FPU. Based on these findings, Moscow is currently considered a low to medium-fraud post.

The FPU enjoys an open and collaborative relationship with the Assistant Regional Security Officer - Investigator (ARSO-I) as well as law enforcement agencies at post. The Fraud Prevention Manager (FPM) participates in monthly meetings of the Moscow Anti-Fraud Group, which is a group composed of migration and consular officials from the various diplomatic missions based in Moscow. END SUMMARY.

A. COUNTRY CONDITIONS: Since the financial crisis hit in September 2008, uncertainty about the banking sector, the value of the ruble, and the price of oil have prompted investors to withdraw significant amounts of capital from the Russian economy. The higher cost of credit that ensued, in conjunction with the global downturn in demand for a broad range of products, forced Russian firms to cut production, reduce the workweek, decrease salaries, and trim staff. As a result, since November 2008 incomes have declined, reversing nearly a decade of real double-digit income growth. Unemployment and underemployment in Russia increased. Estimates for actual unemployment range from ten to twelve million with significantly higher risk for workers in Russia's single company towns and distressed sectors (e.g., automotives, steel). In addition to currently unemployed workers, more than 1 million workers are on idle time, reduced work schedules, or administrative leave. Russian workers also suffer from falling real incomes and delayed salaries, although the government has stepped up activities to reduce the amount of wage arrears to workers. Despite these efforts, wage arrears remain at around 8 billion rubles, primarily due to the absence of sufficient funds on the part of employers. The Ministry of Economic Development predicted real incomes would fall 8.3 percent in 2009, although these estimates are being revised, as inflation is also slowing due to the overall decline in economic activity in the country.

As the first half of 2009 draws to a close, the economy appears to have achieved some stability, thanks to a modest, but steady rise in the price of oil. The ruble has stabilized, the federal budget was in surplus (through February), and the stock market has been growing again. However, the economic outlook for the year has never been more uncertain, as production continues to contract and banks are still grappling with large amounts of non-performing loans. The Russian Government forecasts an economic contraction of 6-8 percent for the year. Economists from academia and the think tank community estimate a sharp economic contraction of 5-10 percent, whereas investment bankers anticipate a recovery by the end of the

year with potential growth reaching three percent in 2010.

According to the last official census in 2002, the population in Moscow is 10.4 million; however this figure only takes into account legal residents. Current estimates place Moscow's population at over 13 million. The government recently announced that the next official census, scheduled for October 2010, may be delayed due to budget constraints.

1B. (SBU) NIV FRAUD Q MOSCOW: During this reporting period (1 March to 31 August 2009), consular officers referred 325 cases to the Fraud Prevention Unit (FPU) for investigation of suspected fraud. FPU confirmed fraud in approximately 12 percent of the cases. Most of the referrals to FPU during the report timeframe were for employment or bank statement verification. Based on these findings, Moscow is currently considered a low to medium-fraud post.

FPM conducted routine LexisNexis checks and conferred with U.S. law enforcement entities at post, including the ARSO-I, the FBI and DEA during fraud investigations. In addition, FPU local fraud investigators conducted host country law enforcement record checks on individuals with suspected links to organized crime or with prior criminal records. Local investigators also researched host country tax and business registries; national and local media websites; and reviewed a variety of Russian newspapers for fraud-related information during the course of their investigations.

The most common type of FPU referral at U.S. Embassy Moscow involves B1/B2 applicants with suspect employment claims. Of the 325 cases referred to FPU during the timeframe covered by this report, twenty-one cases involved confirmed fraudulent employment statements; an additional 53 resulted in inconclusive findings (either because of discrepancies between the applicant's interview and the employer's description of job duties). We noticed a sharp rise in Uzbek applicants applying at U.S. Embassy Moscow with

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entirely fabricated employment documents, including fraudulent Russian work permits, provided by a known local document vendor, "Mayak." Line officers noted that frequently these applicants were non-residents flying in specifically for the purposes of their visa interview in Moscow. Members of the Anti-Fraud Working Group (comprised of consular officers from foreign missions in Moscow) noted similar trends with Uzbek applicants as well.

During this reporting period, the FPM confirmed that five B1/B2 applicants attempted to cover up their prior illegal stay in the United States. In one case, an applicant went so far as to tear out the page in his passport to remove his re-entry stamp into Russia. Another case was detected after a positive IAFIS arrest for shop lifting revealed that the applicant was present nearly four years after his claimed departure from the United States. The applicant refused to admit that he was illegally present and went so far as to provide a fraudulent employment letter from a Russian employer to cover the years he was in the United States. All five cases involved individuals with significant overstays in the United States of four or more years. Given this new trend in applicants covering up illegal overstays, officers are consistently referring cases to FPU for verification of an applicant's prior travel via ADIS. ADIS is an essential tool used by the FPM on a regular basis. Post appreciates the additional ADIS account which was added recently to U.S. Embassy Moscow and would welcome additional accounts for all line officers.

During this reporting period, FPU investigations revealed that two separate applicants applied under false names in an attempt to obtain visas Q both cases were caught as facial recognition hits. The applicants later admitted that they changed their name specifically to cover up an ineligibility in order to obtain a visa to travel to the U.S. Our FPU investigations revealed that it is quite easy to officially change one's name in Russia and often little reason needs to be provided to local officials for the change. One key anti-fraud tool used by line officers when encountering Russian applicants is their Vnutrenniy (internal) passport (similar to a national ID card). The internal passport lists all minor children, marital status, address of current and

prior registrations, military service and current and previous external passports. Unfortunately, the internal passport does not list name changes unless the change is as a result of change in marital status.

The use of Suspicious Documents Function in NIV remains inconsistent. In addition to FPU referrals, NIV officers designated only 75 cases associated with suspicious documents. FPU is working with NIV officers to use the suspicious document function more consistently.

Post decided to initiate a rolling B1/B2 validation study on a quarterly basis in order to provide real time feedback to line officers. During the timeframe covered by this report, Post took a random sample of B1/B2 visas issued from March 2008 to May 2008. The sample size used allowed for a margin of error of +/- three percent. Post, with assistance from CA/FPP and DHS, verified the applicant's ADIS status and followed up with phone calls to applicants that either had not used their visas or had no reported departure from the U.S.

The results from the first tranche of our rolling validation study revealed that:

- 90.1% of the applicants traveled in status and returned;
- 8.5% of the applicants did not travel to the U.S.;
- 0.4% of the applicants had an adjustment of status pending;
- 1 % of the applicants were determined to be illegally in the U.S.

The results reveal that Russians during timeframe had good travel patterns. We were surprised by the number of applicants that applied for a visa stating specific travel plans but that did not use their visas. This is something we will continue to monitor in the next tranches of our validation studies.

(SBU) IV FRAUD - MOSCOW: Only seven cases of suspect IV fraud were referred to FPU and most of these were for reviews of hits in the system and coordination with local law enforcement.

1D. (U) DV FRAUD: During the timeframe of this report, Russian nationals were not eligible to participate in the Diversity visa (DV) program. Russians will be eligible to participate in the DV 2010 program. Post expects a sharp rise in DV FPU referrals once Russian DV cases are current.

There was a single DV case dealing with an Azeri national referred to FPU for verification of his educational qualifications. FPU confirmed that the educational documents were fraudulent and the officer refused the applicant under Section 212(a)(6)(c) of the Immigration and Nationality Act.

1E. (U) ACS AND U.S. PASSPORT FRAUD: During the timeframe of this

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report, FPU assisted ACS on three cases. One case dealt with an American Citizen that was issued passports in different names and places of birth. Two other cases involved American Citizens filing questionable Certificates of Birth Abroad (CRBA) applications. The FPM questioned both women (separate cases) with the ACS Chief and explained the consequences of filing fraudulent CRBA applications. Both women refused to admit that the baby was not their own and the ACS Chief recommended DNA testing as an option. To date, neither has proceeded with DNA testing.

In addition, ACS also encountered two additional suspect CRBA cases that were not referred to FPU. One case involved a woman that admitted to the ACS officer at the time the oath was administered, that the baby was not her own. The ACS officer entered a lookout for this mother in PLOTS. Another ACS officer issued a CRBA only after subsequent proof of birth (hospital records, ultrasound photos, etc) was provided by the birth parents. It is too earlier to determine if this is a new trend in Moscow, however, it is something we are monitoring.

1F. (U) ADOPTION FRAUD: There have been no fraudulent cases on the part of Americans families adopting Russian children. The press has reported prosecutions of Russians accepting bribes to represent children as orphans who are not in fact orphans at all. This is

predominantly found in the provinces and rarely seen in Moscow.

1G. (U) USE OF DNA TESTING: IV Unit used DNA testing on a single IR2 case. ACS Unit used DNA testing in two cases.

1H. (U) ASYLUM AND OTHER DHS BENEFIT FRAUD: DHS USCIS, Moscow interviews applicants for refugee status from 15 countries of the former Soviet Union. During this reporting period, 895 applicants interviewed were citizens of Russia. Of the 895 applicants interviewed, 141 were denied refugee status at least in part because of credibility.

The criteria for denying an applicant based on credibility is as follows:

QThe USCIS officer informed you of discrepancies concerning material facts within your testimony during your interview and you were provided with an opportunity to reconcile those discrepancies. Because you were unable to reconcile the discrepancies to the officer's satisfaction, it has been determined that your testimony lacked credibility on those material facts. As a result, you are not eligible for refugee status.

1I. (U) ALIEN-SMUGGLING, TRAFFICKING, ORGANIZED CRIME, TERRORIST TRAVEL: For the sixth consecutive year, Russia has been included as a "Tier 2 Watch List" in the Trafficking in Persons (TIP) annual report. Russia is considered to be a source, transit, and destination country for men, women, and children trafficked for various forms of exploitation. Article 127 of the criminal code prohibits both trafficking for commercial sexual exploitation and forced labor. The Government of the Russian Federation does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these significant efforts, the government over the last year: decreased the number of reported trafficking investigations, prosecutions, and convictions; did not vigorously prosecute, convict, and punish government officials; made no significant efforts to improve identification of and assistance to victims of trafficking; and did not make adequate efforts to address labor trafficking. Organized crime is also considered to be widespread, but with a loose structure and intertwined with corruption.

1J. (SBU) DS CRIMINAL FRAUD INVESTIGATIONS: The Consular Section enjoys an open, strong working relationship with its ARSO-I. During the timeframe of this report, ARSO-I worked on a joint investigation with DHS and FBI regarding a Eurasian Organized Crime group operating in Colorado and Nevada that is suspected of using 28 Summer Work and Travel (SWT) exchange program students including two female students from Russia to participate in financial fraud schemes to obtain money or goods.

ARSO-I successfully documented visa fraud committed by a Russian government official accused of the theft of billions of dollars worth of land and money. When the suspect fled to the United States, ARSO-I Moscow determined the suspect had made material false statements on the most recent visa application. After DHS was notified, the suspect was detained on his next entry into the United States, and confessed to having made false statements. Due to the extremely high value of money allegedly stolen, DS, DHS, DOJ, and the FBI are working closely with Russian officials on pursuing the case and proceeds from the theft and subsequent money laundering.

ARSO-I and the DS New York Field office jointly investigated visa fraud committed by a fugitive from Kazakhstan who initially obtained a Russian passport and fled to Moscow, before going to the United

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States. Based upon the concealment of his prior arrest and criminal charges, the suspect was charged with fraud and arrested. The U.S. Marshal Service initially brought the case to the attention of DS due to the Interpol warrant issued by Kazakhstan for the suspect's alleged murder of four people.

1K. (SBU) HOST-COUNTRY PASSPORT, IDENTITY DOCUMENTS, AND CIVIL REGISTRY: ARSO-I Moscow is leading a joint criminal investigation into the sale of counterfeit and altered documents by a crime ring

based in Moscow. The overall investigation encompasses more than 34 DS criminal cases, touching on 46 countries. The vendors are suspected of having produced counterfeit supporting documents for visa applications, counterfeit and altered passports, and counterfeit visas from the United States, Russia, Schengen countries, Canada, and several other nations. Over the past 11 years, the group has sold an estimated 1000-3000 U.S. visas. Several key members of the organization have been identified and indicted in the United States; however the suspects remain at large in Moscow. A recent success in the case was the arrest of suspects in Ghana and Belarus after at least eight of the counterfeit U.S. visas were sold through that portion of the distribution network. To date, approximately 21 members of the organization have been arrested, however Russian officials have to date refrained from pursuing the highest level suspects. The vendor ring has also sold documents to criminal fugitives and Chechen fighters, raising concerns of terrorist travel.

1L. (SBU) COOPERATION WITH HOST COUNTRY AUTHORITIES: Official requests for verification of documents and information must be conducted using the format of Diplomatic Notes to the Ministry of Foreign Affairs for dissemination to the respective federal or regional government office. FPU relies on contacts in various ministries to provide verification and/or confirmation of requests on an unofficial basis. In September 2008, the Ministry of Internal Affairs disbanded the anti-organized crime unit following allegations of extortion of wealthy business men by members of the unit.

ARSO-I has had limited cooperation and slow response from host country law enforcement units. Despite the willingness of some host country officers to discuss criminal cases, the endless layers of bureaucracy, corruption, and apathy lead to limited success in responding to criminal acts. Transparency International has rated the perceived level of corruption in Russia as having risen steadily over the past eight years, and have noted the judicial system as a particular concern.

1M. (U) AREAS OF CONCERN: Summer Work & Travel and the impact of the economic crisis on the quality of visa applications and the growing number of illegal overstays are all areas of concerns.

1N. (U) STAFFING AND TRAINING: The Fraud Prevention Unit consists of two Consular Officers, the Fraud Prevention Manager and a Rotating FSO; an Assistant Regional Security Officer; and four locally engaged Fraud Investigation Specialists. All FSNI have taken the on-line FSI courses for Detecting Imposters and How to Detect Human Trafficking Victims. A newly hired FSNI is scheduled to take the Fraud Prevention Course at FSI in November 2009. The Deputy FPM is scheduled to take the Fraud Prevention course at FSI in October 12009.

1O. (U) EVENTS: None at this time.

BEYRLE